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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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OMB 82-26
PRESIDENT'S TASK FORCE
ON MANAGEMENT REFORM
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AGENCIES TO TIGHTEN INTERNAL CONTROL SYSTEMS

Federal agencies today were directed to further tighten their internal control systems to reduce the risk of misuse and mismanagement of public funds and to report annually to the President and Congress on how well their internal management systems are working.

"Internal controls are safeguards that any efficient organization must have," Joseph R. Wright, Jr., Deputy Director of the Office of Management and Budget, stated. "Assurance that these safeguards are in place in the agencies is a basic prerequisite to achieving the President's goal of a modernized, efficient government--the goal of Reform '88."

Reform '88 is a long-term program announced recently by the White House to improve the administrative systems of government to operate as efficiently as successful private and public sector organizations. Reform '88 is being coordinated by a Task Force on Management Reform, with oversight by the Cabinet Council on Management and Administration.

Today's notice, signed by Wright and Charles A. Bowsher, Controller General of the United States, follows enactment last month of the Federal Managers' Financial Integrity Act. The Act requires each agency to assure that

- obligations and costs are in accordance with applicable law;
- funds, property and other assets are safeguarded;
- revenues and expenditures are properly recorded and accounted for.

(more)

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Most of the requirements of the new law (P.L. 97-255) are already being implemented by agencies under an October 1981 OMB directive, Circular A-123, "Internal Control Systems."

"OMB and GAO plan to work together very closely in implementing the Act and in assuring that the momentum already built up within the agencies for improved internal control is sustained," Wright and Bowsher pledged. "We believe the Act presents an opportunity for a partnership effort among OMB, GAO and the operating agencies to put government financial practices on a sound, businesslike basis."

Among the types of safeguards often overlooked are:

- Documenting financial transactions;

- Conducting periodic inventory reviews;

- Maintaining computer security;

- Assuring that personnel are competent and supervisors are diligent.

When these safeguards are missing, the stage is set for fraud and waste. Some examples:

- Because duties were not properly separated, payroll clerks in the Defense Department were able to authorize and issue $130,000 in fraudulent checks to themselves and friends.

- A government car was outfitted with 15 sets of tires in 32,000 miles.

- Over 32,000 cases of alleged mismanagement have been reported to the GAO hotline, and indeed a recent GAO report found "widespread, similar and prevalent financial control weaknesses."

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